

erty of some 10,000 depositors and its loss spread ruin and suffering throughout London. A long course of litigation ensued, which finally ended in the reign of William by the consolidation of the indebtedness with other portions of the permanent national debt.¹ This conduct on the part of the Stuart King made the people and the bankers cautious about loaning to the government, and William III. was driven to desperate expedients to obtain revenue to carry on the war with France. A poll tax was imposed, stamp duties were levied which have never been entirely repealed, and enormous prizes, in the form of annuities on the tontine plan, were offered to those who would lend to the State. A plan was presented to the Committee of the House of Commons, while they were considering the claims of the goldsmiths in the autumn of 1691, which contained the germs of the organization of the Bank of England. William Paterson, himself an obscure Scotchman, but supported by several wealthy London merchants, offered to advance £1,000,000 to the government on condition of receiving £65,000 a year as interest and the costs of management and authority to issue bills which should be legal tender. The government refused to give forced currency to the bills and the matter fell through until 1694. Montague, the ingenious and enterprising minister of William, then sent for Paterson and requested him to organize a plan. The new project contemplated a loan of £2,000,000 to the government at seven per cent., but the ministry, who were accustomed to discounts and commissions of forty per cent, on short loans, could not be made to believe that a loan with no fixed date of maturity could be floated at such a low rate. The government turned to other plans, but Paterson persevered and presently obtained the help of Mr. Michael Godfrey, who carried the scheme to a successful conclusion. It was put in definite shape by Montague and was saddled upon the Ways and Means bill (Statutes 1694, ch. 20), in a form which would be characterized in modern legislation as

¹ Macl/eod, Theory and Practice of Banking, I., 441-44.